



2008 Business Update

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FROM STATE SENATOR John Pappageorge



Update on measures to fix Michigan Business Tax

UPDATE

The Michigan Business Tax (MBT) took effect January 1, 2008 and replaced the Single Business Tax (SBT). As with any new policy, the new business tax has some unforeseen flaws that need to be corrected. In order to fully understand the unintended consequences of the MBT, the MBT Impact Assessment Subcommittee was created. The subcommittee held public meetings in various locations throughout the state and issued a [report](#) to the chair of the Senate Finance Committee this past June.

"I've heard from numerous business owners whose tax liability has doubled, tripled or even quadrupled under the MBT," said State Senator John Pappageorge. "Now that the

subcommittee has made their findings known, it is important that we take action to address the flaws within the tax."

A number of proposals have already been voted on in the Senate.

[Senate Bill \(SB\) 1054](#), sponsored by Senator Pappageorge, excludes services rendered by a partner to a partnership from the definition of "business activity" in the MBT (such as a law firm). This bill passed the Senate and is currently awaiting action in the House Committee on Tax Policy.

[SB 1217](#) exempts materials, supplies and payments to subcontractors from the tax for builders and contractors. This legislation was signed into law on July 17, 2008.

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[SB 1198](#) allows thousands more Michigan businesses to qualify for the small business credit by increasing the amount of executive compensation to \$250,000. This bill has passed the Senate and awaits action in the House Committee on Tax Policy.

[SB 1038](#) removes taxes, including sales taxes, from the MBT base and ensures that casual transactions are not subject to the MBT. This bill was recently passed by both chambers in different forms.

You may view the status of these bills at www.MichiganLegislature.org.



Senate approves legislation to help businesses obtain tax credits

The Michigan Senate recently approved legislation that will help Michigan companies receive tax abatements sooner in the event of an administrative error.

"With Michigan's struggling economy, it is more important than ever that we make Michigan a better place to do business" said State Senator John Pappa-

george. "The current system is such that these administrative errors are addressed by the Legislature on a case by case basis. Under the new law, these situations will be dealt with internally, which will allow for faster processing."



Senate Bill 218 will allow the executive branch to grant a facility exemption certificate to a company that meets all statutory criteria regardless of any administrative errors made during the application process.

The Michigan Economic Growth Authority and State Tax Commission would be responsible for correcting

the administrative errors.

"We know that Michigan's economy depends on businesses creating more jobs. It is a priority of mine to make it easier for businesses to do just that," Pappageorge said.

The measure has been sent to the House for consideration.

Pappageorge's downtown development legislation signed into law

The governor recently signed legislation that Senator Pappageorge introduced as part of an economic package that will help redevelop Michigan's downtowns.



Senate Bill 980, now Public Act 230

of 2008, will re-establish the Commercial Redevelopment Act to provide property tax benefits to companies that rehabilitate obsolete commercial facilities in downtown business districts or build new structures in previously developed areas. The act became law in 1978 but ended 10 years later.

"Not only will the downtown development package result in more vibrant downtowns, but it will also stimulate

economic growth and create more jobs for Michigan's struggling families," said State Senator John Pappageorge.

The legislation passed both the Senate and House of Representatives unanimously and went into effect on July 17, 2008.

Chamber of Commerce agrees: Pappageorge makes businesses a priority

The Michigan Chamber of Commerce recently published their 2007-08 Legislative Voting Record. State Senator John Pappageorge earned a 94% approval rating—tying with only three others for the highest percentage earned in the Senate.

By saying no to tax increases and burdensome regulations and yes to addressing problems within the current tax structure, Senator Pappageorge has proven he's a strong voice for businesses in the Michigan Senate.

To view the entire report, visit the chamber's website at www.michamber.com or click [here](#).



94%



- NO** Impose a new sales tax on services
- NO** Re-Impose use tax
- NO** Impose government control of water
- YES** Streamline Brownfield Redevelopment
- YES** Prohibit costly ergonomics standards
- YES** Solve problems with MBT

To view his entire voting record, click [here](#).

Buy Michigan First

Did you know that the federal government spends \$400 billion each year on goods and services? In addition, the state of Michigan holds nearly 1,200 contracts worth \$19.4 billion. Senator Pappageorge recently hosted an information forum to help Michigan businesses learn more about contracting with government agencies. Here are some important tips to get you started:



- Procurement Technical Assistance Centers (PTACS) are your first step in getting government contracts. They can assist your company with registering to become a government contractor, identifying bid opportunities, walking you through and simplifying the bidding process and more. Visit www.michigantac.org to learn more about what PTACS can do for you.
- Without exception, the deadline for all bids to be received in the Department of Management and Budget (DMB) purchasing operations center is 3:00 p.m. You can view current bid opportunities at www.michigan.gov/buymichiganfirst.
- Opportunities to attend an information forum to learn the ins and outs of contracting with the state of Michigan are still available. To view a list of upcoming presentations, click [here](#) or visit www.michigan.gov/buymichiganfirst.

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Questions or Comments?

If you have any questions or comments regarding information in this newsletter, or wish to be removed from or added to the mailing list, please contact my office at the following information:

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